

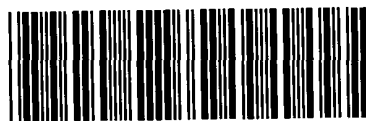
Company no: 954009

THE RANDOM HOUSE GROUP LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

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THE RANDOM HOUSE GROUP LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

The Directors present their Strategic Report for the year ended 31 December 2015.

Principal Activities

The company is a subsidiary of Penguin Random House Limited, a company registered in England and Wales. The company is UK domiciled and registered in England and Wales. The principal activity of the company continues to be book publishing.

Review of the business

The results and financial position of the company are set out in the attached financial statement. The company made a loss in the year of £51,074,472 (2014: profit of £23,049,431).

2015 was the second full year of trading as part of the newly formed Penguin Random House Group. The company performed solidly from a trading point of view, which continues to remain firmly on track. Against the continuing backdrop of a challenging physical market, the company had huge success with the release of E.L. James's book 'Grey: Fifty Shades of Grey as Told by Christian', Paula Hawkins' novel 'Girl on the Train' has had continuous sales and the release of award winning Harper Lee's 'Go Set a Watchman' and Bill Bryson's 'Road to Little Dribbling' have contributed to the increased sales in 2015.

Sales of digital formats continue to be a significant revenue stream and now account for approximately 20% of UK turnover. Overheads have remained under control and have moved reasonably in line with the movement in turnover.

Key Performance Indicators ('KPI's')

The company monitors progress and performance during the year and historical trend data is set out in the following KPI's:

- Turnover was £217,488,923 (2014: £208,317,838)
- Gross margin percentage for the year was 19.4% (2014: 19.5%)
- The number of titles in the Bookscan full year Top 50 sellers listing was 10 (2014: 10 titles)

Principal Risks and Uncertainties

The company is subject to risk management procedures and an annual risk assessment implemented by the ultimate parent company, Bertelsmann SE & Co KGaA. The company has procedures in place to make the directors aware of the various risks to the company's business. The risks are monitored and reported to management. The changing book market and particularly the transition to digital is creating both challenges and opportunities for the company, notably regarding the latter in terms of new markets and sales channels. The company is facing increased pressure on margins. Other risks arise from the entry of non-traditional publishers into the market, the decline in retail space in high street bookshops and economic uncertainty.

General

The company is now presenting the financial statements in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The transition from old UK GAAP has not had any effect on the company's financial position or financial performance.

On behalf of the Board



M GARDINER
Director

30 September 2016

THE RANDOM HOUSE GROUP LIMITED

DIRECTORS REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

The directors present their annual report and audited financial statements for the year ended 31 December 2015.

Future developments

Looking ahead, the market remains challenging and the economic backdrop remains similarly tough. Nonetheless the company will continue to seek suitable publishing opportunities to ensure growth. The directors do not anticipate any significant changes in the activities of the company.

Dividends

Dividends of £52,000,000 (2014: £10,000,000) were paid during 2015, these were paid through the cash pooling with Penguin Random House Limited. The directors do not recommend the payment of a final dividend (2014: nil).

Financial Instruments

It is the company's policy to implement financial risk management objectives and policies, for each major type of forecasted transaction for which hedge accounting is used. The directors consider the entity's exposure to price risk, credit risk, liquidity risk and cash flow risk.

Directors

The directors who held office during the year and up to the date of this report were as follows:

BJ Davis	Resigned on 30 th September 2015
M Dohle	Chairman and Chief Executive
M Gardiner	
M Symons	Appointed on 9 th December 2015
T Weldon	

Post balance sheet events

The company is applying to have its share premium reduced. The share premium account was created as part of the acquisition price of the investments that have been impaired in 2015. This is expected to become effective in October '16.

Employees

The company systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests.

Employee involvement in the company is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the group plays a major role in maintaining its prosperity.

The company encourages the involvement of employees by means of regular meetings with staff and staff representatives to keep them informed of the company's progress. The company operates a pension scheme for which all employees are eligible.

The company is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or material status. The company gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the group. If members of staff become disabled the company continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

THE RANDOM HOUSE GROUP LIMITED

DIRECTORS REPORT FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, Directors Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify the company's shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to present and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that he or she ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent Auditors

The auditors, Pricewaterhouse Coopers LLP, have indicated their willingness to continue in office and a resolution concerning their appointment will be proposed at the Annual General Meeting.

On behalf of the Board



M GARDINER
Director

30 September 2016

THE RANDOM HOUSE GROUP LIMITED

INDEPENDENT AUDITORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

Independent auditors' report to the members of The Random House Group Limited

Report on the financial statements

Our opinion

In our opinion, The Random House Group Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its loss for the year then ended;
 - have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
 - have been prepared in accordance with the requirements of the Companies Act 2006.
-

What we have audited

The financial statements, included within the Annual Report, comprise:

- the Balance Sheet as at 31 December 2015;
- the Profit and Loss for the year then ended;
- the Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Equity for the year then ended;
- the accounting policies; and
- the notes to the financial statements, which include other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

THE RANDOM HOUSE GROUP LIMITED

INDEPENDENT AUDITORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Fiona Dolan (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

30 September 2016

THE RANDOM HOUSE GROUP LIMITED

PROFIT AND LOSS for the year ended 31 December 2015

	Note	2015 £	2014 £
Turnover	5	217,488,923	208,317,838
Cost of sales		(42,184,565)	(40,571,235)
Gross profit		175,304,358	167,746,603
Administrative expenses	6	(166,104,426)	(151,098,599)
Other operating income		15,441,346	7,087,336
Profit on disposal of fixed assets		-	1,255,884
Operating profit		24,641,278	24,991,224
Income from shares in group undertakings		1,778,746	5,110,777
Income from fixed asset investments		40,135	76,186
Amounts written off investments	13	(70,709,127)	(709,088)
Interest payable and similar charges	8	(2,778,521)	(1,513,335)
(Loss)/profit on ordinary activities before taxation		(47,027,489)	27,955,764
Tax on (loss)/profit on ordinary activities	9	(4,046,984)	(4,906,333)
(Loss)/profit for the financial year		(51,074,473)	23,049,431

The notes on pages 11 to 37 are an integrated part of these financial statements.

THE RANDOM HOUSE GROUP LIMITED

STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 December 2015

	Note	2015 £	2014 £
(Loss)/profit for the financial year		(51,074,473)	23,049,431
Other comprehensive income/(expense):			
Remeasurement of net defined benefit obligation	17	16,050,130	(8,139,000)
Total tax on components of other comprehensive income/(expense)	9	(3,609,884)	1,627,800
Total comprehensive (expense)/income for the year		(38,634,227)	16,538,231

The notes on pages 11 to 37 are an integrated part of these financial statements.

THE RANDOM HOUSE GROUP LIMITED

BALANCE SHEET As at 31 December 2015

	Note	2015 £	2014 £
Fixed assets			
Intangible assets	11	-	-
Tangible assets	12	44,013,534	40,368,098
Investments	13	179,670,337	245,407,833
Net pension surplus	17	3,919,480	-
		<u>227,603,351</u>	<u>285,775,931</u>
Current assets			
Stocks	14	10,258,149	10,782,668
Debtors	15	91,976,188	69,133,315
Advance royalties		37,436,514	37,202,183
Cash at bank and in hand		823,795	21,979,534
		<u>140,494,646</u>	<u>139,097,700</u>
Creditors: amounts falling due within one year	16	(253,717,629)	(206,799,346)
Net current liabilities		<u>(113,222,982)</u>	<u>(67,701,646)</u>
Total assets less current liabilities		<u>114,380,369</u>	<u>218,074,285</u>
Pensions and similar obligations	17	-	(13,122,400)
Provisions for other liabilities	18	(3,883,447)	(3,820,736)
Net assets		<u><u>110,496,922</u></u>	<u><u>201,131,149</u></u>
Capital and Reserves			
Called up share capital	19	81,956,072	81,956,072
Share premium account		77,000,000	77,000,000
Other reserves		66,409	66,409
Profit and loss account		(48,525,559)	42,108,668
Total equity		<u><u>110,496,922</u></u>	<u><u>201,131,149</u></u>

These financial statements on pages 6 to 37 were authorised for issue by the board of directors on 16 September 2016 and were signed on its behalf.



M GARDINER
Director
The Random House Group Ltd
Registered no: 954009

THE RANDOM HOUSE GROUP LIMITED

STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2015

	Notes	Called up share capital	Share premium	Other reserves	Profit and loss account	Total equity
Balance as at 1 January 2014		81,956,072	77,000,000	66,409	35,570,437	194,592,918
Changes in equity						
Total comprehensive income for the year		-	-	-	16,538,231	16,538,231
Dividends	20	-	-	-	(10,000,000)	(10,000,000)
Balance as at 31 December 2014		<u>81,956,072</u>	<u>77,000,000</u>	<u>66,409</u>	<u>42,108,668</u>	<u>201,131,149</u>
Changes in equity						
Total comprehensive income for the year		-	-	-	(38,634,227)	(38,634,227)
Dividends	20	-	-	-	(52,000,000)	(52,000,000)
Balance as at 31 December 2015		<u><u>81,956,072</u></u>	<u><u>77,000,000</u></u>	<u><u>66,409</u></u>	<u><u>(48,525,559)</u></u>	<u><u>110,496,922</u></u>

The notes on pages 11 to 37 are an integrated part of these financial statements.

THE RANDOM HOUSE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015

1 GENERAL INFORMATION

The Random House Group Limited is a book publisher. The company sells its books globally with the majority of the sales in the UK. The company is a private company limited by shares and is incorporated in England. The address of its registered office is 20 Vauxhall Bridge Road, London, SW1V 2SA.

2 STATEMENT OF COMPLIANCE

The individual financial statements of The Random House Group Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The company has adopted FRS 101 in these financial statements. Details of the transition to FRS 101 are disclosed in note 23.

Basis of preparation of financial statements

These financial statements are prepared on a going concern basis, under the historical cost convention.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IAS 7, 'Statement of cash flows'
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
 - paragraph 79(a)(iv) of IAS 1
 - 40A-D (requirements for a third statement of financial position)
- IFRS 1 'Opening balances' – exemption from the requirements of IFRS 1 to present an opening balance sheet on adopting FRS 101 for the first time.

The company is exempt, by virtue of s400 of the Companies Act 2006, from the requirement to prepare group financial statements. These financial statements present information about the company as an individual undertaking and not about the group.

Going concern

The financial statements are prepared on a going concern basis which the directors believe to be appropriate in light of the company's current trading performance. This has been considered for at least the next twelve months from the date of approval of these financial statements.

Changes in accounting policy and disclosures

The following standards have been adopted by the company for the first time for the financial year beginning on or after 1 January 2014 and have an impact on the company:

Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for the company to classify items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially re-classifiable to profit or loss subsequently (reclassification adjustments).

THE RANDOM HOUSE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015 (continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IAS 19, 'Employee benefits' was revised in June 2011. The changes in the company's accounting policies has been as follows: to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). See note 28 for the impact on the financial statements.

Foreign Currency Translation

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates. The financial statements are presented in sterling, which is the functional currency of the company.

Transactions and balances

Transactions in a currency other than the functional currency ('foreign currency') are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in the profit and loss statement

Turnover Recognition

Turnover is measured at the fair value of the consideration received or receivable for the sale of goods and services net of Value Added Tax (VAT) and other sales taxes, rebates, trade marketing costs and discounts. Turnover is recognised at the time of the sale. A provision for anticipated returns is made based primarily on historical return rates in line with group policy. If these estimates do not reflect actual returns in future periods then turnover could be understated or overstated for a particular period.

Employee benefits

The company operates various post-employment schemes, including both defined benefit and defined contribution pension plans and post-employment medical plans.

(a) Pension obligations

The company operates a defined contribution plan for certain employees.

A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The company also operates a defined benefit plan to certain employees.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to shareholders' funds in other comprehensive income in the period in which they arise.

THE RANDOM HOUSE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015 (continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The amount charged or credited to finance costs is a net interest amount calculated by applying the liability discount rate to the net defined benefit liability or asset.

Past-service costs are recognised immediately in the profit and loss statement.

For defined contribution plans, the company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The costs of the company's contributions to The Random House Group Limited and Transworld Publishers defined contribution pension scheme are charged to the profit and loss statement in the period in which they arise.

Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the profit and loss statement, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Investments

Investments are stated at cost and a provision is made for impairment. At the year-end management reviewed the investments in order to determine whether there was any objective evidence present that in accordance with IAS 36 would lead to an impairment.

Intangible assets

Intangible assets are stated at cost less accumulated amortisation. Amortisation is calculated to write off the cost of the assets over their estimated useful lives on a straight line basis. Amortisation expense is charged to the profit and loss statement.

THE RANDOM HOUSE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2015

(continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Tangible assets

Tangible assets are stated at cost less accumulated depreciation. Cost includes the original purchase price and costs directly attributed to bringing the asset to its working condition for intended use.

Depreciation is calculated to write off the cost of the fixed assets over their estimated useful lives on a straight line basis. The principal annual rates used for this purpose are as follows:

Freehold buildings	Over periods of 40 or 50 years
Leasehold property	Over period of lease
Plant and equipment	Over periods of between 3 and 20 years

Leased assets

Leases that do not transfer all the risks and rewards of ownership are classified in the financial statements as operating leases. Payments under operating leases are charged to the profit and loss statement as incurred.

Stocks

Stocks comprise finished goods and work in progress in respect of books, and are stated at the lower of cost and net realisable value. Cost includes the costs of paper, printing and binding incurred on a title by title basis. Plant costs, which do not vary with the number of copies printed (for example typesetting, origination and illustration), are charged to the profit and loss statement in full on publication. Provision is made for obsolete and slow moving stocks.

Royalty advances

Advances of royalties to authors are recognised once a contract is approved within the royalty system, less any provision required to adjust the advance to its net realisable value. For unpublished titles, the contracts are assessed at key points within the year, to determine whether the value of a title is diminished from its original acquisition value. These titles are reassessed each year until publication occurs. For published titles, the company assesses the difference between the advance payable and the projected royalty earnings and sub rights income at the point of publication. All titles are reassessed at various times throughout the years following publication. The royalty advance is expensed at the contracted or effective royalty rate as the related turnover is earned.

Trade debtors

Trade debtors are stated at fair value after provision for bad and doubtful debts and anticipated future sales returns. Provisions are made specifically where there is objective evidence of a dispute or an inability to pay. An additional provision is made based on an analysis of balances by age, previous losses experienced and general economic conditions.

THE RANDOM HOUSE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015 (continued)

4 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under circumstances.

Key accounting estimates and assumptions

(i) Provisions

Other provisions include provisions arising in the ordinary course of business, such as provisions relating to legal matters. These provisions are expected to be utilised within 5 years.

(ii) Defined benefit scheme

The company has obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors including life expectancy, salary increases, asset valuations and the discount rate on corporation bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends.

	2015 £	2014 £
5 TURNOVER		
Analysis of turnover by geography		
UK and The Republic of Ireland	123,192,675.51	115,650,265
Rest of the World	94,296,247.67	92,667,573
	<u>217,488,923</u>	<u>208,317,838</u>

THE RANDOM HOUSE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2015

(continued)

6 LOSS BEFORE TAX

Loss before tax is stated after charging:

	2015 £	2014 £
Administrative expenses		
Auditors' remuneration:		
Statutory audit	108,263	106,140
Taxation compliance services	15,900	17,958
Operating lease rentals	-	422,672
Personnel costs:		
Wages and salaries	40,787,931	37,376,536
Social security costs	4,696,482	4,579,604
Group pension scheme costs	3,845,912	4,114,193
Amortization, depreciation and impairment losses	4,015,296	3,006,967
Profit on disposal of fixed assets	-	1,255,884
Amounts written off investments	70,709,127	709,088

7 EMPLOYEES AND DIRECTORS

Employees

The monthly average number of persons, including executive directors, employed by the company during the year was:

	2015 £	2014 £
Staff costs:		
Wages and salaries	40,787,931	37,376,536
Social security costs	4,696,482	4,579,604
Group pension scheme costs	3,845,912	4,114,193
	49,330,325	46,070,333

THE RANDOM HOUSE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015 (continued)

7 EMPLOYEES AND DIRECTORS (continued)

	2015 £	2014 £
<u>Directors' remuneration:</u>		
Aggregate emoluments	953,566	919,653
Amounts receivable under long term incentives	846,161	668,821
Company pension contributions to money purchase schemes	18,583	42,989

Retirement benefits are accruing to 1 director at 31 December 2015 (2014: 2) under defined benefit pension schemes and to 1 director (2014: 2) under a money purchase scheme.

Highest paid director:

Emoluments	497,312	476,957
Amounts receivable under long term incentives	500,000	343,930
Defined benefit pension scheme accrued at the end of the year	68,445	59,347

8 INTEREST PAYABLE AND SIMILAR CHARGES

	2015 £	2014 £
Interest payable and similar charges:		
On borrowings from group undertakings	2,363,014	1,133,529
Other	415,507	-
	<u>2,778,521</u>	<u>1,133,529</u>

THE RANDOM HOUSE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2015

(continued)

	2015	2014
	£	£
9 TAX ON PROFIT ON ORDINARY ACTIVITIES:		
(a) Analysis of tax charge for the year		
Amount payable for group relief and UK Corporation Tax		
-current year	3,010,979	2,937,225
-overseas tax	194,313	740,937
-double tax relief	(194,313)	(740,937)
-adjustments in respect of prior years	(35,806)	131,772
Deferred tax, origination and reversal of timing differences		
-current year	1,009,594	1,947,615
-adjustments in respect of prior years	62,217	(110,279)
	<u>4,046,984</u>	<u>4,906,333</u>

The tax assessment for the year is lower (2014: lower) than the standard effective rate of corporation tax in the UK for the year ended 31 December 2015 of 20.25% (2014:21.5%). The differences are explained below:

(b) Factors affecting the tax charge for the year		
(Loss)/profit on ordinary activities before tax	(47,027,489)	27,955,764
Corporation tax at standard rate of 20.25% (2014: 21.5%)	(9,523,066)	6,010,489
Effects of:		
Expenses not deductible for tax purposes	14,476,734	370,682
Income not taxable	(366,676)	(1,350,260)
Adjustments in respect of prior years	26,411	21,493
Deferred tax rate differences	(566,419)	(146,071)
Total tax charge for year	<u>4,046,984</u>	<u>4,906,333</u>

Current tax

The standard rate of corporation tax in the United Kingdom changed from 21% to 20% with effect from 1 April 2015. Accordingly the company's profits / losses are taxed at an effective rate of 20.25% (2014: 21.5%).

THE RANDOM HOUSE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2015

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10 DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities

	Assets		Liabilities	
	2015	2014	2015	2014
	£	£	£	£
Property plant and equipment	-	-	(432,726)	(464,289)
Rolled over gain	-	-	(1,887,043)	(1,986,361)
Other temporary differences	461,322	624,118	-	-
Pension scheme spreading	-	455,796	-	-
Pension scheme	-	3,280,600	(921,155)	-
	<u>461,322</u>	<u>4,360,514</u>	<u>(3,240,924)</u>	<u>(2,450,650)</u>

	1 January 2015	Tax credit relating to OCI	Income statement Movement	31 December 2015
Movement in recognised deferred tax during the year				
Property plant and equipment	(464,289)	-	31,563	(432,726)
Rolled over gain	(1,986,361)	-	99,318	(1,887,043)
Other temporary differences	624,118	-	(155,026)	461,322
Pension scheme spreading	455,796	-	(455,796)	-
Pension scheme	3,280,600	(3,609,885)	(591,870)	(921,155)
Total deferred tax	<u>1,909,864</u>	<u>(3,609,885)</u>	<u>(1,079,581)</u>	<u>(2,779,602)</u>

	1 January 2015	Tax credit relating to OCI	Income statement Movement	31 December 2014
Movement in recognised deferred tax during the prior year				
Property plant and equipment	(405,103)	-	(59,186)	(464,289)
Rolled over gain	(1,986,361)	-	-	(1,986,361)
Other temporary differences	829,872	-	(205,754)	624,118
Pension scheme spreading	911,592	-	(455,796)	455,796
Pension scheme	2,769,400	1,627,800	(1,116,600)	3,280,600
Total deferred tax	<u>2,119,400</u>	<u>1,627,800</u>	<u>(1,837,336)</u>	<u>1,909,864</u>

Deferred tax

During 2015 changes to the UK main corporation tax rate were enacted. The tax rate has fallen to 19% with effect from 1 April 2017 and to 18% with effect from 1 April 2020. The temporary differences that give rise to deferred tax are expected to reverse after 1 April 2017 but before 1 April 2020 and therefore have been provided for at 19%.

THE RANDOM HOUSE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015 (continued)

11 INTANGIBLE ASSETS

	Goodwill £	Software £	Total £
Cost:			
at 1 January 2015 and 31 December 2015	1,915,682	2,500,000	4,415,682
Accumulated amortisation:			
at 1 January 2015 and 31 December 2015	1,915,682	2,500,000	4,415,682
Net book amounts:			
at 31 December 2015	-	-	-
at 31 December 2014	-	-	-

12 TANGIBLE ASSETS

	Freehold property £	Leasehold property £	Plant and equipment £	Assets under construction £	Total £
Cost:					
at 1 January 2015	49,091,675	439,159	36,302,290	4,072,559	89,905,683
Additions		-		7,660,732	7,660,732
Transfers	715,971		5,233,055	(5,949,026)	-
at 31 December 2015	49,807,646	439,159	41,535,345	5,784,265	97,566,415
Accumulated depreciation:					
at 1 January 2015	22,571,351	266,422	26,699,812	-	49,537,585
Charge for the year	717,463	17,566	3,280,267	-	4,015,296
at 31 December 2015	23,288,814	283,988	29,980,079	-	53,552,881
Net book amounts:					
at 31 December 2015	26,518,832	155,171	11,555,266	5,784,265	44,013,534
at 31 December 2014	26,520,324	172,737	9,602,478	4,072,559	40,368,098

THE RANDOM HOUSE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015 (continued)

13	INVESTMENTS	Shares in subsidiaries £	Shares in associates £	Listed equity investments £	Unlisted equity investments £	Total £
	At cost:					
	at 1 January 2015	257,860,442	276,298	1,343	6,000	258,144,083
	Additions	4,897,639	73,993	-	-	4,971,632
	Disposals	-	(350,291)	-	-	(350,291)
	at 31 December 2015	262,758,081	-	1,343	6,000	262,765,424
	Impairment:					
	at 1 January 2015	12,459,952	276,298	-	-	12,736,250
	Disposals	-	(350,291)	-	-	(350,291)
	Charge for year	70,635,135	73,993	-	-	70,709,128
	at 31 December 2015	83,095,087	-	-	-	83,095,087
	Net book amounts:					
	at 31 December 2015	179,662,994	-	1,343	6,000	179,670,337
	at 31 December 2014	245,400,490	-	1,343	6,000	245,407,833

The company's investments in group undertakings are listed in note 13.

The company has taken advantage of a transition exemption within IFRS 1 in relation to the re-measurement of subsidiaries and associates in its separate financial statements.

Subsidiaries

The company's subsidiaries are listed on page 24. The addition to shares in subsidiaries is in relation to an increased investment in Random House Australia Pty Limited.

An impairment test was carried out in accordance with International Accounting Standard 36. The carrying amount and the equity value of each investment have been compared to ascertain if impairment is necessary. Significant impairments in the investments have been arising from the reduction in the equity value of PRH Canada, Random House Grupo Editorial and Woodlands.

Associates

Since March 2015, the company no longer has a 50% interest in Random House Children's Screen Entertainment LLP. The investment was impaired by £350,291 to zero, with no proceeds and no profit or loss on disposal.

Listed equity investments

These investments had a market value at 31 December 2015 of £3,657 (2014: £3,799).

Unlisted equity investments

This is comprised of 20% of the ordinary shares of Andersen Press Limited which is registered in England. The directors do not consider this investment to be a participating investment since they do not exercise a significant influence over the affairs of the company.

THE RANDOM HOUSE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015 (continued)

	2015 £	2014 £
14 STOCKS		
Raw materials and consumables	219,005.74	416,043
Work in progress	2,128,339.07	2,049,445
Finished books	7,910,803.95	8,317,180
	10,258,149	10,782,668

There is no significant difference between the replacement cost of work in progress and finished goods and goods for resale and their carrying amounts.

Inventories are stated after provisions for impairment of £5,452,975 (2014: £6,014,093).

15 DEBTORS		
Trade debtors	4,012,836	4,590,046
Amounts owed by group undertakings	79,181,470	57,063,079
Other debtors	2,595,981	2,456,105
Prepayments and accrued income	6,185,901	5,024,085
	91,976,188	69,133,315

Amounts owed by group undertakings are unsecured, repayable on demand and interest free.

Included in other debtors is £2,339,529 owed in relation to Value Added Tax (VAT) reimbursements (2014: £2,050,502).

Amounts owed by group undertakings are stated after provisions for impairment of £2,504,494.64 (2014: 2,734,416.02), returns provisions of £19,293,867 (2014: £16,255,737) and incentive discounts of £6,571,088 (2014: £8,871,810).

16 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR		
Trade creditors	65,367,270	57,787,747
Amounts owed to group undertakings	139,916,192	94,846,019
Taxation	2,804,957	2,170,667
Social security	2,538,666	3,867,153
Other creditors	29,934,716	31,459,037
Accruals and deferred income	13,155,826	16,668,723
	253,717,627	206,799,346

Amounts owed to group undertakings are unsecured and repayable on demand. Included within this is £111.3m in respect of the cash pooling agreements with the company's parent entity, Penguin Random House Limited, and the company's subsidiaries, Mainstream Publishing Company (Edinburgh) Limited, The Book Service Limited, Virgin Books Limited and Woodlands Books Limited. These amounts incur interest on a monthly basis; the average interest rate for the year was 2.03%.

THE RANDOM HOUSE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2015

(continued)

17 POST EMPLOYMENT BENEFITS

Defined pension schemes

The company, together with its subsidiary The Book Service Limited, operates two pension schemes of the defined benefit type. One scheme was closed to new members from 1 July 2002, since when the other scheme has operated on a defined contribution basis for new employees.

The benefits the members of the schemes obtain upon retirement depend on when they joined the scheme but the majority of members receive a pension based on $1/60^{\text{th}}$ of pensionable service multiplied by the final pensionable salary.

The scheme pensions are updated in line with the retail price index.

Plan assets held in the fund are governed by local regulations and practice in the United Kingdom. Responsibility for the governance of the plan – including investment decisions and contribution schedules – lies jointly with the company and the trustees of the funds

The main risks of the scheme are as follows:

(a) Longevity risk

The liabilities are very sensitive to unexpected changes in future mortality. If longevity increases at a faster pace than assumed then the liabilities will increase at future calculations. The longevity risk can be mitigated by securing benefits for members with insurance companies. There is also a growing market in longevity solutions which may enable this risk to be managed to some degree in the future.

(b) Investment/interest rate risk

The Schemes' invested assets are allocated heavily to equities, while IAS19 stipulates a discount rate related to corporate bond yields. Therefore the liabilities and assets may react differently to changes in market conditions.

(c) Inflation risk

Elements of the pensions in payment under the Schemes increase at an inflation-linked rate, albeit that there are caps applying to the indexation.

In addition, the rules of the Schemes require that some pensions are increased in the period up until payment commences in line with increases in inflation, again, up to a certain cap. Given that the proportion of the investments allocated to asset classes with returns directly linked to inflation is small in both Schemes, there will not necessarily be a corresponding increase in asset values to match liability increases if future inflation is at rates higher than assumed for the purposes of these calculations

(d) Asset volatility

The plan liabilities are calculated a discount rate set with a reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit. The plan holds a significant proportion of equities, which are expected to outperform corporate bonds in the long term while providing volatility and risk in the short term.

Both schemes were valued by independent qualified actuaries at 1 January 2015 using the projected unit basis. The valuation for the IAS 19 disclosures in these financial statements is based upon that valuation and updated by independent qualified actuaries to the balance sheet date.

THE RANDOM HOUSE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015 (continued)

17 POST EMPLOYMENT BENEFITS (continued)

Defined pension schemes (continued)

Reconciliation of schemes movements during the year:

	Fair value of plan assets £'000	Present value of obligation £'000	Total £'000
At 1 January 2015	243,830	(260,233)	(16,403)
Current service cost	-	(3,262)	(3,262)
Interest income / (expense)	8,812	(9,227)	(415)
	<u>252,642</u>	<u>(272,722)</u>	<u>(20,080)</u>
Remeasurements:			
Loss from change in financial assumptions	-	20,780	20,780
Return on plan assets, excluding amounts included in interest expense	(4,730)	-	(4,730)
	<u>(4,730)</u>	<u>20,780</u>	<u>16,050</u>
Contributions:			
- Employers	8,878	-	8,878
- Plan participants	520	(520)	-
Payments from plan:			
- Benefit payments	(7,860)	7,860	-
As at 31 December 2015	249,450	(244,602)	4,848

The net pension surplus in 2015 is disclosed in the balance sheet net of the deferred tax liability of £921,155. The net pension deficit in 2014 is disclosed in the balance sheet net of the deferred tax asset of £3,280,600.

The significant actuarial assumptions were as follows:	2015	2014
	%	%
Discount rate	3.90	3.60
Rate of price inflation (RPI)	3.25	3.10
Rate of increase in salaries	3.25	3.85
Rate of increase of pensions in payment:		
3% floor & 5% cap	3.70	3.65
5% cap	3.05	2.95
2.5% cap	2.05	2.00
Revaluation of pensions in deferment	2.25	2.10
Mortality table in retirement	S1PxA(b=yob) CMI 2011 with 1.2% long term rate	S1PxA(b=yob)

THE RANDOM HOUSE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015 (continued)

17 POST EMPLOYMENT BENEFITS (continued)

Defined pension schemes (continued)

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in the UK. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 65:

	2015 Years	2014 Years
Retiring at the end of the reporting year:		
- Male	22.60	22.60
- Female	24.90	24.90
Retiring 20 years after the end of the reporting year:		
- Male	24.30	24.30
- Female	26.80	26.80

As the schemes are now closed as defined benefit schemes, the current service cost, as calculated under the projected unit method, will increase as members approach retirement.

The related deferred tax asset has been calculated at 19% (2014: 20%).

The sensitivity of the defined benefit obligation to changes in the weighted principal assumption is:

	<u>Impact on defined benefit obligation</u>		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
Discount rate	0.50%	Decrease by 8.5%	Increase by 9.8%
Salary growth rate	0.50%	Increase by 2.6%	Decrease by 2.4%
Pension growth rate	0.25%	Increase by 5.8%	Decrease by 5.1%
Life expectancy - Increase or decrease by 1 year		Increase by 3.4%	Decrease by 3.4%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting year) has been applied as when calculating the pension liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

THE RANDOM HOUSE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015 (continued)

17 POST EMPLOYMENT BENEFITS (continued)

Defined pension schemes (continued)

Items recognised in the profit and loss statement:

	2015 £'000	2014 £'000
Total cost recognised as an expense:		
Current service cost	3,262	3,193
	3,262	3,193
Total cost recognised as:		
Expected return on pension scheme assets	8,812	9,981
Interest on pension scheme liabilities	(9,227)	(9,586)
	(415)	395

The fair value of the plan assets was:

	2015 £'000	2014 £'000
Equities & property	144,543	136,076
Corporate bonds	47,660	40,362
Gilts	47,918	60,105
Secured annuities	2,526	2,582
Cash	6,803	4,705
Total fair value of assets	249,450	243,830

The company, together with its subsidiary, expects to contribute approximately £8.7m to its defined benefit plans in 2016.

Defined contribution scheme

Following the closure of the defined benefit scheme to new entrants, the company provides a defined contribution scheme for its employees.

The amount recognised as an expense for the defined contribution scheme was:

	2015 £	2014 £
Current year contributions	1,489,440	1,349,510

THE RANDOM HOUSE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2015

(continued)

18 PROVISIONS FOR LIABILITIES

Deferred tax	£	
at 1 January 2015	1,370,736	
charged in the year	487,711	
at 31 December 2015	<u>1,858,447</u>	
The deferred tax liability comprises:	2015	2014
	£	£
Excess of capital allowances received over depreciation charged on fixed assets	432,726	464,289
Other short term timing differences	1,425,721	906,447
	<u>1,858,447</u>	<u>1,370,736</u>
Other provisions		
	£	
at 1 January 2015	2,450,000	
Utilised during the year	(425,000)	
Charged in the year		
at 31 December 2015	<u>2,025,000</u>	
	2015	2014
	£	£
19 CALLED UP SHARE CAPITAL		
Authorised, allotted, called up and fully paid:		
819,560,718 Ordinary shares of 10p each	<u>81,956,072</u>	<u>81,956,072</u>

THE RANDOM HOUSE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015 (continued)

20 COMMITMENTS

The company had the following future minimum lease payments under noncancellable operating leases for each of the following periods:

	2015 £	2014 £
Plant and machinery:		
not later than one year	124,191	186,816
later than one year and not later than five years	70,143	210,763
Premises:		
not later than one year	116,000	116,000
later than one year and not later than five years	464,000	464,000
later than five years	454,333	570,333
	1,228,668	1,547,912

There are commitments to authors for the payment of royalty advances amounting to £61.5m at 31 December 2015 (2014: £67.5m). Together with the advances already paid these will be charged against sales of future accounting periods as the books are published.

There were no contracted capital commitments outstanding at 31 December 2015 (2014: nil).

21 DIVIDENDS

	2015 £	2014 £
Equity - Dividend		
Interim: 1.22p (2014: 1.22p) per share	10,000,000	10,000,000
Final: 5.12P (2014: Nil) per share	42,000,000	-
	52,000,000	10,000,000

Dividends of £52m (2014: £10m) was payable at 31 December 2015 and these were put through the cash pooling with Penguin Random House Limited.

THE RANDOM HOUSE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2015

(continued)

22 RELATED PARTIES

The Company's immediate parent company is Penguin Random House Limited ("PRHL"). PRHL is owned by Bertelsmann UK Limited 53% and Pearson PRH Holdings Limited 47%. The Company's ultimate parent company is Bertelsmann SE & Co KGaA, which is incorporated in Germany. Copies of Bertelsmann SE & Co KGaA's consolidated financial statements (the smallest and largest financial statements in which the Company is consolidated) can be obtained from:

Bertelsmann SE & Co KGaA
Corporate Communications
Carl Bertelsmann Strasse 270
33311 Gütersloh
Germany

As the company is a wholly owned subsidiary of Penguin Random House Limited the company is exempt from the requirement, under International Accounting Standard 24 'Related party disclosures', to disclose transactions with entities that are wholly owned by this company. The company has taken advantage of this exemption.

During the year the company entered into the following material transactions with related parties not wholly owned by the company:

THE RANDOM HOUSE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015 (continued)

22	RELATED PARTIES (continued)	2015	2014
		£	£
	Sales of books:		
	Penguin Random House South Africa (Pty) Ltd.	2,042,406	-
	Penguin Spain	404,471	
	Random House LLC	153,776	113,715
	Random House Publishers India Private Limited	1,985,828	
	Random House Stuik Proprietary Limited	-	1,710,746
	Sales representation fees:		
	Woodlands Books Limited	520,717	667,496
	Other operating income:		
	arvato Limited	178,347	137,670
	Bertelsmann UK Limited	341,630	315,308
	Penguin Books Limited	289,133	
	Random House LLC	596,078	466,036
	Verlagsgruppe Random House GmbH	3,668	55,822
	Sales Commissions		
	Penguin Random House Canada Limited	128,954	-
	Penguin Random House South Africa (Pty) Ltd.	261,342	-
	Inventories of Finished Goods:		
	GGP Media GmbH	772,795	-
	Mohn Media Mohndruck GmbH	687,073	-
	Other external charges:		
	arvato Limited	114,890	145,527
	arvato Systems GmbH	109,154	119,640
	Bertelsmann Luxembourg S.a r.l.	524,519	-
	Penguin Random House Ireland Limited	196,667	-
	Random House LLC	78,796	135,953
	RTL Group Support Services Limited	46,200	13,600
	Dividends received:		
	Woodlands Books Limited	1,275,000	-
	Interest expense:		
	Woodlands Books Limited	40,181	30,661

THE RANDOM HOUSE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015 (continued)

22 RELATED PARTIES (continued)

	2015 £	2014 £
Debtors:		
arvato Limited - arvato CRM UK	55,404	-
arvato Limited	-	68,216
Childrens Character Books	63,750	-
Dorling Kindersley	3,885,797	-
Frederick Warne	130,190	-
Ladybird	388,785	-
Penguin Books Limited	7,723,388	-
Penguin Random House Canada Limited	3,999	-
Penguin Random House South Africa (Pty) Ltd.	37,259	-
Random House LLC	218,297	-
Rough Guides	108,488	-
Woodlands Books Limited	600,388	1,173,838
Creditors:		
arvato Limited	28,989	
arvato Systems GmbH	46,472	62,173
Bertelsmann Luxembourg S.a.r.l.	-	399,449
G+J Electronic Media Sales GmbH	7,340	-
GGP Media GmbH	128,232	68,624
Mohn Media Mohndruck GmbH	12,932	151,635
Penguin Random House Ireland Limited	30,715	-
Penguin Random House LLC	434,924	196,737
Penguin Random House South Africa (Pty) Ltd.	53,420	-
Woodlands Books Limited	5,696,492	-

THE RANDOM HOUSE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2015

(continued)

23 TRANSITION TO FRS 101

This is the first year that the company has presented its results under FRS 101. The last financial statements prepared under the previous UK GAAP were for the year ended 31 December 2014. The date of transition to FRS 101 was 1 January 2014. Set out below are the changes in accounting policies which reconcile profit for the financial year ended 31 December 2014 and the total equity as at 1 January 2014 and 31 December 2014 between UK GAAP as previously reported and FRS 101.

Reconciliation of Equity 1 January 2014 (Date of Transition to FRS 101)	UK GAAP £	Effect of transition to FRS 101 £	FRS 101 £
Fixed Assets			
Intangible assets	-	-	-
Tangible assets	38,775,323	-	38,775,323
Investments	210,063,641	-	210,063,641
	248,838,964	-	248,838,964
Current assets			
Stocks	12,154,275	-	12,154,275
Debtors	118,430,408	(31,621,889) A	86,808,519
Advance royalties	37,223,865	-	37,223,865
Cash at bank and in hand	2,315,273	-	2,315,273
	170,123,821	(31,621,889)	138,501,932
Creditors: amounts falling due within one year	(209,817,267)	31,621,889 A	(178,195,378)
Net current liabilities	(39,693,446)	-	(39,693,446)
Total assets less current liabilities	209,145,518	-	209,145,518
Net pension liabilities	(11,077,600)		(11,077,600)
Provisions for liabilities	(3,475,000)	-	(3,475,000)
Net assets	194,592,918	-	194,592,918
Capital and reserves			
Called up share capital	81,956,072	-	81,956,072
Share premium account	77,000,000	-	77,000,000
Other reserves	66,409	-	66,409
Profit and loss account	35,570,437		35,570,437
Total equity	194,592,918	-	194,592,918

THE RANDOM HOUSE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015 (continued)

23 TRANSITION TO FRS 101 - continued

Reconciliation of Equity - continued
31 December 2014

	UK GAAP £	Effect of transition to FRS 101 £	FRS 101 £
Fixed Assets			
Intangible assets	-	-	-
Tangible assets	40,368,098	-	40,368,098
Investments	245,407,833	-	245,407,833
	285,775,931	-	285,775,931
Current assets			
Stocks	10,782,668	-	10,782,668
Debtors	96,995,279	(27,861,964) A	69,133,315
Advance royalties	37,202,183	-	37,202,183
Cash at bank and in hand	21,979,534	-	21,979,534
	166,959,664	(27,861,964)	139,097,700
Creditors: amounts falling due within one year	(234,661,310)	27,861,964 A	(206,799,346)
Net current liabilities	(67,701,646)	-	(67,701,646)
Total assets less current liabilities	218,074,285	-	218,074,285
Net pension liabilities	(13,122,400)	-	(13,122,400)
Provisions for liabilities	(3,820,736)	-	(3,820,736)
Net assets	201,131,149	-	201,131,149
Capital and reserves			
Called up share capital	81,956,072	-	81,956,072
Share premium account	77,000,000	-	77,000,000
Capital redemption reserve	66,409	-	66,409
Profit and loss account	42,108,668	-	42,108,668
Total equity	201,131,149	-	201,131,149

THE RANDOM HOUSE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015 (continued)

23 TRANSITION TO FRS 101 - continued

Reconciliation of Profit 31 December 2014	UK GAAP £	Effect of transition to FRS 101 £	FRS 101 £
Turnover	208,317,838		208,317,838
Cost of sales	(40,571,235)		(40,571,235)
Gross profit	167,746,603		167,746,603
Administrative expenses	(151,017,599)	(81,000) B	(151,098,599)
Other operating income	7,087,336		7,087,336
Profit on disposal of fixed assets	1,255,884		1,255,884
Operating profit	25,072,224	(81,000)	24,991,224
Income from shares in group undertakings	5,110,777		5,110,777
Income from fixed asset investments	76,186		76,186
Other interest receivable and similar income	1,179,194	(1,560,000) B	(380,806)
Amounts written off investments	(709,088)		(709,088)
Interest payable and similar charges	(1,133,529)		(1,133,529)
(Loss)/profit on ordinary activities before taxation	29,595,764	(1,641,000)	220,692,591
Tax on profit on ordinary activities	(5,234,333)	B	(5,234,333)

A - Moving of bad debt provision, returns provision and incentive discounts from creditors to debtors.

B - Moving of pension service cost to interest expense and return on plan assets to actuarial gain through OCI.

24 INVESTMENTS IN GROUP UNDERTAKINGS

Refer to the following table for the company's investments at 31 December 2015.

The Group maintains an interest in undertakings which would normally be classified as associate undertakings. These undertakings are listed under "Investments" and "Indirect investments" in the table on the following pages.

THE RANDOM HOUSE GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2015
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24 INVESTMENTS IN GROUP UNDERTAKINGS (continued)

Name	Principle Activity	Holding	Class of shares	Registered Address
<u>Subsidiary undertakings</u>				
Arrow Books Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Bantam Books Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Barrie & Jenkins Limited	Dormant Entity	98	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Bartlett Bliss Productions Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Bellew & Higon Publishers Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Business Books Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Carousel Books Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Century Benham Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Century Hutchinson Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Century Hutchinson Publishing Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Century Publishing Co. Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Chatto and Windus Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Corgi Books Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Hammond, Hammond and Company, Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Herbert Jenkins Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Hurst & Blackett Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Hutchinson & Co. (Publishers) Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Hutchinson Books Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Hutchinson Childrens Books Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Jackdaw Publications Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Jonathan Cape Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA

THE RANDOM HOUSE GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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(continued)

24 INVESTMENTS IN GROUP UNDERTAKINGS (continued)

Name	Principle Activity	Holding	Class of shares	Registered Address
Mainstream Publishing Company (Edinburgh) Limited	Book Publishing	100	Ordinary	54-66 Frederick Street, Edinburgh, United Kingdom, EH2 1LS
Martin Secker and Warburg Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Penguin Random House Canada Limited	Book Publishing	100	Ordinary	1 Toronto Street, Suite 300, Toronto, Canada, M5C2V6
Penguin Random House Grupo Editorial, S.A.	Book Distribution	100	Ordinary	Calle Travessera de Gracia, 47-49, Barcelona, Spain, 08021
Plane Tree Publishers Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Random House Australia Pty Limited	Book Publishing	100	Ordinary	Level 3 100 Pacific Highway, North Sydney, Australia, NSW 2060
Random House New Zealand Limited	Book Publishing	100	Ordinary	67 Apollo Drive, Rosedale, Auckland, New Zealand, 0632
Random House Properties Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Random House Publishers India Private Limited	Book Publishing	100	Ordinary	7th Floor, Infinity Tower C, DLF Cyber City, Gurgaon, India, 122 002, Haryana
Random House Publishing Group Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Random House Struik Proprietary Limited	Book Publishing	100	Ordinary	The Estuaries No 4, Oxbow Crescent, Century Avenue, Century City, Cape Town, South Africa, 8000
Random House UK Ventures Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
RHA Holdings Pty Limited	Dormant Entity	100	Ordinary	16 Dalmore Drive, Scoresby (Melbourne), Victoria 3179, Australia, 3179
Sinclair - Stevenson Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Smashing Ideas UK Limited	Book Publishing	100	Ordinary	7-15 Pink Lane, Newcastle upon Tyne, United Kingdom, NE1-5DW
Stanley Paul & Company Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
T. Werner Laurie, Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Tamarind Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
The Bodley Head Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
The Book Service Limited	Distribution and Support Services	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
The Cresset Press Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA

THE RANDOM HOUSE GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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(continued)

24 INVESTMENTS IN GROUP UNDERTAKINGS (continued)

Name	Principle Activity	Holding	Class of shares	Registered Address
The Harvill Press Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
The Hogarth Press Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Transworld Publishers Ireland Limited	Editorial services	100	Ordinary	c/o EUGENE F. COLLINS Solicitors, Temple Chambers, 3 Burlington Road, Dublin, Ireland, 4
Transworld Publishers Limited	Book Publishing	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Virgin Books Limited	Book Publishing	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Woodlands Books Limited	Book Publishing	85	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
<u>Indirect subsidiary undertakings</u>				
Aguilar, Altea, Taurus, Alfaguara S.A. de Ediciones	Book Publishing	100	Ordinary	Avenida Leandro N. Alem 720, Buenos Aires, Argentina, C1053CABA
Direct Group Grandes Obras, S.L.	Holding Company	100	Ordinary	Calle Travessera de Gracia, 47-49, Barcelona, Spain, 08021
Distribuidora Penguin Random House S.A.S.	Distribution Services	100	Nominal	Aut. Medellin KM 1.7 Terrapuerto Industrial el Dorado BG 4, Cota (Cundinamarca), Columbia
Editorial Sudamericana Uruguay S.A.	Book Publishing	100	Ordinary	Yaguaron 1568, Montevideo, Uruguay
Grantham Book Services Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Penguin Random House Grupo Editorial S.A.	Book Publishing	100	Ordinary	Calle Humberto Primo 545, Buenos Aires, Argentina, C1103ACK
Penguin Random House Grupo Editorial S.A.	Book Publishing	100	Ordinary	Av. Ricardo Palma 341, Of. 601, Miraflores, Lima, Peru
Penguin Random House Grupo Editorial S.A.S.	Book Publishing	100	Ordinary	Terrapuerto Industrial El Dorado Bodega No. 4, Autopista Medellin Km 1.7 Entrada Parque La Florida, Cota (Cundinamarca), Columbia
Penguin Random House Grupo Editorial, S.A.	Book Distribution	100	Ordinary	Merced 280, 6th Floor, Santiago de Chile, Chile, 8320128
Penguin Random House Grupo Editorial, S.A.	Book Distribution	100	Ordinary	Av. Venezuela, Edificio Atrium, piso 3, oficina única. Urb. El Rosal, Caracas, Venezuela, 1060

THE RANDOM HOUSE GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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24 INVESTMENTS IN GROUP UNDERTAKINGS (continued)

Name	Principle Activity	Holding	Class of shares	Registered Address
Penguin Random House Grupo Editorial, S.A. de C.V.	Book Publishing	100	Ordinary	Miguel de Cervantes Saavedra 301, piso 1, col. Granada, del. Miguel Hidalgo, Mexiko-Stadt, Mexico, 11520
Penguin Random House Grupo Editorial, Unipessoal Lda.	Book Publishing	100	Ordinary	Praca Marques de Pombal, numero 1, 8° planta, Lissabon, Portugal, 1250-160
Tundra Books of Northern New York, Inc.	Book Publishing	100	Common	18 Cornelia Street, Plattsburgh, County of Clinton, State of New York, USA, 12901
WH Allen General Books Limited	Dormant Entity	100	Ordinary	20 Vauxhall Bridge Road, London, United Kingdom, SW1V 2SA
Distribuidora Digital de Libros, S.A.	Ebook Distribution	53.32	Ordinary	Via Augusta, 48-50, Barcelona, Spain, 08006
Market Self S.A.	Distribution Services	50	Ordinary	Av. Paseo Colón 221, 6th Floor, Buenos Aires, Argentina, C1063ACC
<u>Indirect investments</u>				
Bounce! Sales & Marketing Limited	Book Sales and Marketing	30	Ordinary	Hathaway House, Popes Drive, London, N3 1QF
Centro de Exportacion de Libros Espanoles, S.A.	Distribution Services	6.56	Ordinary	Calle Moratines, 11, 1B, Madrid, Spain, 28005
Editora Fontanar, Ltda.	Book Publishing	44.82	Ordinary	Rua Cosme Velho, No. 103, Rio de Janeiro, Brazil, 22241-090
Editora Objetiva, Ltda	Book Publishing	45	Ordinary	Rua Cosme Velho, No. 89 and 103, Rio de Janeiro, Brazil, 22241-090
Editora Schwarcz S.A.	Book Publishing	45	Common	Rua Djalma Dutra, no. 192, Luz, Sao Paulo, Brazil, 01103-010